

Message Text

PAGE 01 STATE 039008 TOSEC 020165
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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 039008 TOSEC 020165

E.O. 11652: GDS

TAGS: OVIP (VANCE, CYRUS)

SUBJECT: TOSEC ACTION MEMO: MESSAGES TO GENSCHER, UK AND
LUNS. (S/S77049 16)
IN ACCORDANCE WITH PRESIDENTIAL DESIRE TO INFORM UK AND
FRG AND NATO SEKGEN LUNS OF PROPOSED REVISIONS TO US
FY 78 DEFENSE BUDGET IN ADVANCE OF THEIR PRESENTATION TO
CONGRESS, NOW SCHEDULED FOR 22 FEBRUARY, WE PROPOSE YOU AND
SECDEF BROWN SEND LETTERS TO RESPECTIVE UK AND FRG
COUNTERPARTS AND TO SECGEN LUNS. DRAFT LETTERS FOLLOW
FOR YOUR APPROVAL AND DIRECT TRANSMISSION TO EMBASSY BONN
AND LONDON FOR . DELIVERY TO FM GENSCHER AND
TO APPROPRIATE OFFICIAL IN FCO (MINISTER OF STATE DAVID
OWEN NOW HOLDS PORTFOLIO IN FCO, AND TO U.S. NATO FOR
LUNS, NOT RPT NOT BEFORE NOON EST FEBRUARY 21.

BEGIN TEXT OF LETTERS TO FM GENSCHER AND UK MINISTER OF
STATE:
SECRET

PAGE 02 STATE 039008 TOSEC 020165

DEAR MR. MINISTER:

AS YOU ARE AWARE, WE HAVE BEEN REVIEWING THE FY 78 DEFENSE
BUDGET. OUR PROPOSED CHANGES IN THE BUDGET WILL BE SENT TO
CONGRESS ON FEBRUARY 22 AND ITS LEADERSHIP IS BEING

BRIEFED TODAY. I HAVE BEEN ASKED BY THE PRESIDENT TO
WRITE YOU TO EXPLAIN THE RATIONALE FOR THE REVISIONS AND
TO ASSURE YOU OF OUR CONFIDENCE THAT THE CHANGES WILL
ENHANCE US COMBAT CAPABILITIES AND FORCE READINESS AND

PROVIDE A MORE SECURE FOUNDATION FOR FUTURE IMPROVEMENTS. THE FUNDAMENTAL ASSUMPTIONS UNDERLYING ALL OUR CHOICES ARE THE CLEAR NEED TO PRESERVE THE CONTINUUM OF DETERRENCE --STRATEGIC, TACTICAL NUCLEAR AND CONVENTIONAL -- AND THE PRIMACY OF OUR NATO COMMITMENT.

THE PROPOSED BUDGET AMENDMENTS INCLUDE ADDITIONAL EXPENDITURES TO IMPROVE THE COMBAT READINESS OF AMERICAN FORCES AND OUR ABILITY TO REINFORCE NATO FORCES RAPIDLY AS WELL AS DEFERRALS AND SLOWDOWNS TO PERMIT AN ORDERLY REVIEW OF BASIC POLICY ISSUES AND MORE REALISTIC PRODUCTION SCHEDULING. WE WILL RECOMMEND DELETING OUTRIGHT A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY marginally TO MILITARY EFFECTIVENESS. THE RESULT OF THESE ACTIONS WILL BE A SAVINGS OF ABOUT DOLS 2.8 BILLION FOR FY 78 IN OBLIGATIONAL AUTHORITY COMPARED WITH THE BUDGET SUBMITTED TO CONGRESS BY PRESIDENT FORD. IN ABSOLUTE TERMS THE RESULTING 120 BILLION BUDGET REPRESENTS 3 REAL GROWTH IN OBLIGATIONAL AUTHORITY AND 5 REAL GROWTH IN EXPENDITURES OVER FY 1977.

THE MODIFICATIONS INCLUDE SOME DOLS 600 MILLION IN ADDITIONAL EXPENDITURES TO IMPROVE READINESS AND RE-ENFORCEMENT CAPABILITIES AND A REORIENTATION OF OUR CRUISE MISSILE PROGRAM TO GIVE PRIORITY TO DEVELOPMENT OF
SECRET

PAGE 03 STATE 039008 TOSEC 020165

THE GROUND LAUNCH CRUISE MISSILE.

THE REDUCTION AND DEFERRALS THAT ARE PROPOSED IN STRATEGIC AND GENERAL PURPOSE FORCES ARE INTENDED TO INSURE THAT WE WILL RECEIVE THE FULL MEASURE OF INCREASED EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT, MATCH PRODUCTION TO PRUDENT R&D SCHEDULES, AND SATISFY MANAGEMENT REQUIREMENTS SUCH AS CORRECTING CURRENT DEFICIENCIES IN THE SHIPBUILDING PROGRAM. ALL THESE CHANGES ARE CONSISTENT WITH OUR COMMITMENT TO INSURING THAT THE U.S. MILITARY POSTURE IS FULLY ADEQUATE TO MEET NATIONAL SECURITY NEEDS, BUT IS AT THE SAME TIME LEAN AND EFFICIENT. AS PART OF OUR CONTINUING EFFORT TO THIS END, THIS ADMINISTRATION HAS BEGUN A FULL SCALE REVIEW OF OUR MILITARY POSTURE. THIS REVIEW WILL BE COMPLETED IN TIME FOR FINAL DECISIONS ON NEXT YEAR'S DEFENSE BUDGET AND WILL BE A MAJOR FACTOR IN OUR FUTURE PLANNING.

THE DETAILS OF THE CHANGES ARE BEING COMMUNICATED TODAY BY

SECRETARY OF DEFENSE BROWN TO DEFENSE MINISTERS LEBER AND MULLEY, AND I WILL NOT REPEAT THOSE POINTS HERE. I DO WANT TO EMPHASIZE THAT THE REDUCTION FROM 6 TO 3 IN PROCUREMENT OF US AWACS AIRCRAFT, BEYOND THE 19 ALREADY PROGRAMMED, IS BASED ON UNCERTAINTIES AS TO THE NUMBER

REQUIRED FOR FUTURE US CONUS AIR DEFENSE FORCES. THE REDUCTION WILL HAVE NO IMPACT ON THE NATA AWACS PROGRAM, WHICH WE CONTINUE TO SUPPORT FULLY, AND FOR WHICH THE PRODUCTION LINE WILL REMAIN OPEN.

BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE THE WAR-FIGHTING CAPABILITIES AND READINESS OF US FORCES, AND THEREBY ENHANCE THE EFFECTIVENESS OF THE ALLIANCE'S DETERRENT.

DESPITE THE ECONOMIC DIFFICULTIES THAT AFFECT EVERY NATO
SECRET

PAGE 04 STATE 039008 TOSEC 020165

COUNTRY, TOGETHER WE CLEARLY HAVE THE MANPOWER, RESOURCES AND TECHNOLOGICAL CAPABILITY TO STAY THE COURSE WITH OUR POTENTIAL ADVERSARIES FOR AS LONG AS MAY BE NECESSARY. AS VICE PRESIDENT MONDALE SAID IN BRUSSELS, THE UNITED STATES LOOK TO ITS ALLIES TO JOIN WITH US IN IMPROVING NATO'S DEFENSE FORCES TO THE LIMIT OF INDIVIDUAL ABILITIES IN ORDER TO PROVIDE A DEFENSE FULLY ADEQUATE TO OUR NEEDS. END TEXT.

TEXT OF MESSAGE TO LUNS FOLLOWS (TEXT IS SUBSTANTIVELY IDENTICAL TO SECDEF LETTERS TO MULLEY AND LEBER)

BEGIN TEXT: --

DEAR MR. SECRETARY GENERAL:

ON FEBRUARY 22, PRESIDENT CARTER WILL FORWARD TO THE CONGRESS HIS PROPOSED AMENDMENTS TO THE FY 1978 FEDERAL BUDGET. THEY ARE BEING PRESENTED TO THE CONGRESSIONAL LEADERSHIP TODAY. THE PRESIDENT HAS DIRECTED THAT I HIGHLIGHT FOR YOU THE MAJOR MODIFICATIONS IN THE DEFENSE BUDGET HE WILL PROPOSE, AND SHARE WITH YOU THE UNDERLYING RATIONALE AND SENSE OF PRIORITIES THEY REFLECT.

THE RECOMMENDED BUDGET AMENDMENTS INCLUDE ADDITIONAL EXPENDITURES TO IMPROVE THE COMBAT READINESS AND REINFORCEMENT CAPABILITY OF AMERICAN FORCES AS WELL AS DEFERRALS AND SLOW-DOWNS TO PERMIT TIME FOR ORDERLY REVIEW OF BASIS POLICY ISSUES OR TO PROVIDE MORE REALISTIC PROGRAM SCHEDULING. WE WILL PROPOSE DELETING OUTRIGHT A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY marginally TO REAL MILITARY EFFECTIVENESS. THE RESULT OF THE ACTIONS WE WILL RECOMMEND

WILL BE A SAVINGS OF ABOUT DOLS 2.8 BILLION FOR FY 78 IN OBLIGATIONAL AUTHORITY COMPARED WITH THE BUDGET SUBMITTED TO CONGRESS IN JANUARY BY PRESIDENT FORD. IN ABSOLUTE
SECRET

PAGE 05 STATE 039008 TOSEC 020165

TERMS, THE RESULTING 120 BILLION DOLLAR BUDGET REPRESENTS 3 REAL GROWTH IN OBLIGATIONAL AUTHORITY AND 5 REAL GROWTH IN EXPENDITURES OVER FY 1977.

THE AMENDMENTS WHICH WE WILL FORWARD TO THE CONGRESS REFLECT, FOREMOST, OUR STRONG COMMITMENT TO IMPROVING THE COMBAT READINESS AND EFFECTIVENESS OF OUR GENERAL PURPOSE FORCES (GPF) AND ENHANCING OUR ABILITY RAPIDLY TO REINFORCE NATO FORCES. IN THAT CONNECTION, PRESIDENT CARTER WILL PROPOSE ADDITIONAL EXPENDITURES TALLING APPROXIMATELY DOLS 600 MILLION TO IMPROVE EQUIPMENT READINESS, INCREASE PRE-POSITIONED STOCKS IN EUROPE, AND ACCELERATE THE AIRCRAFT SHELTER CONSTRUCTION PROGRAM IN EUROPE, THE CIVIL RESERVE AIR FLEET MODERNIZATION, AND OTHER URGENT CONSTRUCTION PROGRAMS. THE NET EFFECT OF THESE PROPOSED BUDGET AMENDMENTS WOULD BE TO STRENGTHEN AMERICAN MILITARY CAPABILITIES TO RESPOND RAPIDLY AND EFFECTIVELY IN THE EVENT NATO WERE THREATENED.

PRESIDENT CARTER WILL RECOMMEND DEFERRALS AND PROCUREMENT REDUCTIONS IN SEVERAL OTHER MAJOR PROGRAM AREAS. WITH RESPECT TO STRATEGIC FORCES, THE MODIFICATIONS ARE PRIMARILY DESIGNED TO ADJUST THE PACE OF DEVELOPMENT AND ACQUISITION OF OUR FOLLOW-ON, STRATEGIC PROGRAMS TO AN EFFICIENT LEVEL WHILE WE EXAMINE TEST RESULTS AND THE POSSIBILITY OF FUTURE ARMS LIMITATION AGREEMENTS. THESE MODIFICATIONS ARE FULLY CONSISTENT WITH OUR COMMITMENT TO MAINTAINING AN UNQUESTIONABLY CREDIBLE BROAD-SPECTRUM NUCLEAR DETERRENT.

WE PLAN TO DEFER FULL-SCALE ENGINEERING DEVELOPMENT OF THE M-X UNTIL FY 79 WHILE CONTINUING ADVANCED DEVELOPMENT WORK ON ALTERNATIVE COMPONENTS, DEPLOYMENT OPTIONS, AND COST TRADE-OFFS. WE PROPOSE TO SLOW B-1 PROCUREMENT FROM EIGHT TO FIVE IN FY 78 PENDING FURTHER EVALUATION OF SYSTEM REQUIREMENTS.

SECRET

PAGE 06 STATE 039008 TOSEC 020165

WE WILL RECOMMEND A NUMBER OF REDUCTIONS FOR TACTICAL PROGRAMS, FOR REASONS RANGING OVER CHANGES IN QUANTITATIVE REQUIREMENTS, ALTERNATIVE WAYS OF SATISFYING THE OPERATIONAL REQUIREMENT, REDUCTION OF TECHNOLOGICAL RISK BY SLOWING PRODUCTION WHILE INCREASING R&D, AND ADJUSTING FINANCING TO ORDERLY PRODUCTION CONSIDERATIONS.

WE PROPOSE VARIOUS ADJUSTMENTS IN HELICOPTER, OTHER AIRCRAFT, COMMUNICATION AND ELECTRONICS, AND VARIOUS ARMY, NAVY, AND AIR FORCE EQUIPMENT PROGRAMS ON THESE GROUNDS. WITHIN THE TACTICAL AIR FORCE, PRESIDENT CARTER WILL BE RECOMMENDING A STRETCH-OUT IN F-15 PROCUREMENT BY SLOWING PRODUCTION FROM 108 A YEAR TO 78. THIS WILL PROVIDE A

GOING PRODUCTION BASE FOR A LONGER TIME, ALLOWING US TO CONSIDER WHAT TOTAL F-15 BUY IS APPROPRIATE FOR TACTICAL USE AND WHETHER F-15'S ARE NEEDED FOR CONUS AIR DEFENSE. THIS WILL NOT AFFECT THE SCHEDULE FOR DEPLOYMENT OF F-15'S TO EUROPE, SINCE THOSE AIRCRAFT HAVE ALREADY BEEN PROCURED.

WE WILL PROPOSE REDUCING ADDITION AWACS PROCUREMENT FROM 6 TO 3 IN FY 78 TO PROVIDE MORE REALISTIC PROGRAMMING, GIVEN THE CURRENT UNCERTAINTIES AS TO THE NUMBER NEEDED FOR THE FUTURE US CONUS AIR DEFENSE FORCE. AS YOU KNOW, 19 AWACS AIRCRAFT HAVE ALREADY BEEN PROGRAMMED FOR FY 77 AND PRIOR YEARS. THIS CONUS AIR DEFENSE ISSUE WILL BE RESOLVED OVER THE COURSE OF THE NEXT YEAR. THE SLOW-DOWN IN ADDITIONAL PROCUREMENT FOR THE USAF WILL HAVE NO IMPACT ON THE NATO AWACS PROGRAM SINCE THE PRODUCTION LINE REMAINS OPEN TO ACCOMMODATE THE NATO REQUIREMENT WHICH WE CONTINUE TO SUPPORT FULLY.

INSOFAR AS NAVAL FORCES ARE CONCERNED, THE PRESIDENT WILL PROPOSE TO THE CONGRESS SEVERAL REDUCTIONS TO THE FY 78 BUDGET FOR SHIP CONSTRUCTION. THESE INCLUDE DEFERRAL OF ONE NUCLEAR-POWERED SUBMARINE AND TWO FRIGATES SO AS TO
SECRET

PAGE 07 STATE 039008 TOSEC 020165

OVERCOME CURRENT BACKLOGS IN THE CONSTRUCTION PROGRAM, AND CANCELLATION ON COST-EFFECTIVENESS GROUNDS OF THE NUCLEAR STRIKE CRUISER. THE DEFERRALS AND CANCELLATION WILL ENABLE US TO CONTINUE ESSENTIAL MODERNIZATION OF OUR FORCES, WHILE SCHEDULING PROGRAMS TO ENSURE THAT WE RECEIVE THE FULL MEASURE OF INCREASED EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT AND TO CORRECT CURRENT DEFICIENCIES IN THE SHIP-BUILDING PROGRAM. THE PRESIDENT'S BUDGET AMENDMENTS ALSO INCLUDE A RESTRUCTURING OF THE PATROL HYDROFOIL MISSILE (PHM) PROGRAM, CANCELLING THE CONVERSION OF A SUPPORT SHIP IN THE ABSENCE OF A DEFINITIVE DEPLOYMENT CONCEPT. THE PHM PROGRAM ITSELF WILL BE REVIEWED FURTHER TO FOCUS ON FURTHER DEVELOPMENT OF THE HYDROFOIL CONCEPT AND TACTICS.

SEVERAL DECISIONS AFFECTING TACTICAL NUCLEAR SYSTEMS ALSO WILL BE OF SPECIAL INTEREST TO YOU. WE HAVE DECIDED TO EMPHASIZE FURTHER RESEARCH AND DEVELOPMENT OF A GROUND-LAUNCHED CRUISE MISSILE (GLCM) WHILE DEFERRING FOR ONE YEAR INITIATION OF FULL SCALE DEVELOPMENT OF THE ANTI-SHIP VERSION OF THE TOMOHAWK CRUISE MISSILE WHICH WOULD BE

CONVENTIONALLY ARMED. OUR TARGET DATE FOR BEGINNING FULL-SCALE DEVELOPMENT ON THE GLCM IS FY 79.

SECOND, WE HAVE DECIDED TO CANCEL THE US PROCUREMENT OF THE NON-NUCLEAR LANCE BECAUSE OF THE AVAILABILITY OF EXISTING AND PLANNED US AIR FORCE SYSTEMS TO BETTER PERFORM THESE MISSIONS. THE BULK OF THE SAVINGS WILL BE APPLIED

TO SPARES FOR THE NUCLEAR MISSILES. OUR CANCELLATION NEED
NOT AFFECT NATO PROCUREMENT OF THE NON-NUCLEAR LANCE SINCE -
THAT PROGRAM IS FUNDED SEPARATELY.

WE WILL, OF COURSE, BE CONTINUING TO TAKE A CAREFUL LOOK AT
OUR DEFENSE ESTABLISHMENT FROM BOTH POLICY AND EFFICIENCY
PERSPECTIVES. AS A PART OF THAT EFFORT, PRESIDENT CARTER
HAS INITIATED A MAJOR REVIEW OF US MILITARY POSTURE AND
SECRET

PAGE 08 STATE 039008 TOSEC 020165

THE US FOREIGN POLICY AND NATIONAL SECURITY OBJECTIVES
WHICH IS SUPPORTS. THIS REVIEW SHOULD BE COMPLETED THIS
SUMMER PRIOR TO THE FINAL PREPARATION OF THE FY 79 BUDGET
AND WILL BE A MAJOR FACTOR IN ITS DEVELOPMENT. WE SHALL
CONSULT WITH YOU ON THE CONCLUSIONS OF THIS REVIEW AND
ANY MAJOR NEW DEFENSE POSTURE INITIATIVES WHICH EMERGE
FROM IT. WE SHALL BE IN TOUCH WITH YOU AND YOUR STAFFS AS
WE PROCEED IN THIS PROCESS.

BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE THE WAR-
FIGHTING CAPABILITIES AND READINESS OF US FORCES, AND
THEREBY ENHANCE THE EFFECTIVENESS OF THE ALLIANCE'S
DETERRENT. DESPITE THE ECONOMIC DIFFICULTIES THAT AFFECT
EVERY NATO COUNTRY, WE IN THE ALLIANCE CLEARLY HAVE THE
MANPOWER, RESOURCES, AND TECHNOLOGICAL CAPABILITY TO STAY
THE COURSE WITH OUR POTENTIAL ADVERSARIES FOR AS LONG AS MAY
BE NECESSARY. AS VICE PRESIDENT MONDALE SAID IN BRUSSELS,
THE UNITED STATES LOOKS TO ITS ALLIES TO JOIN WITH US IN
IMPROVING NATO'S DEFENSE FORCES TO THE LIMIT OF INDIVIDUAL
ABILITIES IN ORDER TO PROVIDE A DEFENSE FULLY ADEQUATE TO
OUR NEEDS.

I HAVE SENT A SIMILAR LETTER ON THESE BUDGET CHANGES TO
(UK/FRG) DEFENSE MINISTER (MULLY/LEBER). SECRETARY OF
STATE VANCE IS NOTIFYING THE UK AND FRG FOREIGN MINISTERS
AND ON BOTH HIS AND MY BEHALF NATO SECRETARY GENERAL LUNS.

END TEXT.

- DRAFTER:LHBROWN PM/ISP

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